

INTERNATIONAL UNION FOR LAND-VALUE  
TAXATION AND FREE TRADE

CONFERENCE SEPTEMBER 8th - 15th, 1973

At the Villiers Hotel

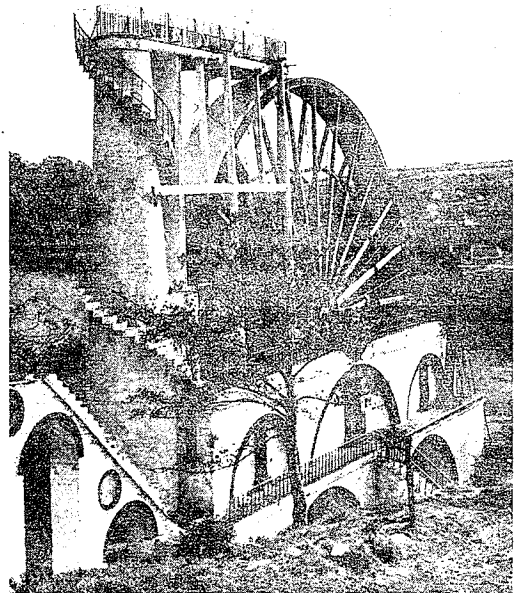
ISLE OF MAN

Reserve this date for next year and watch out  
for further information

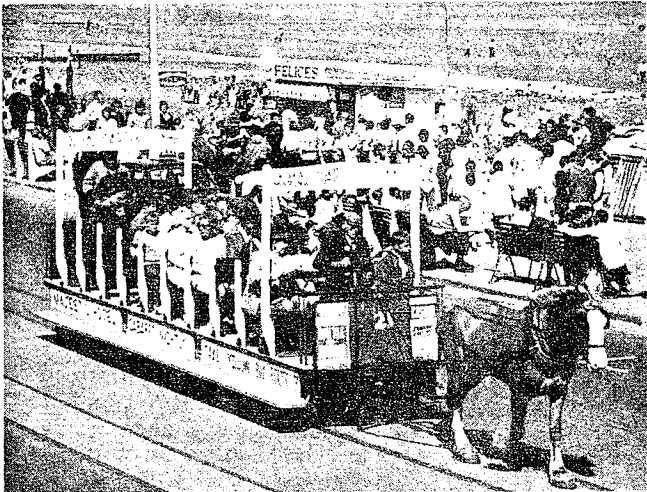
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# Discover the Enchantment of the ISLE OF MAN

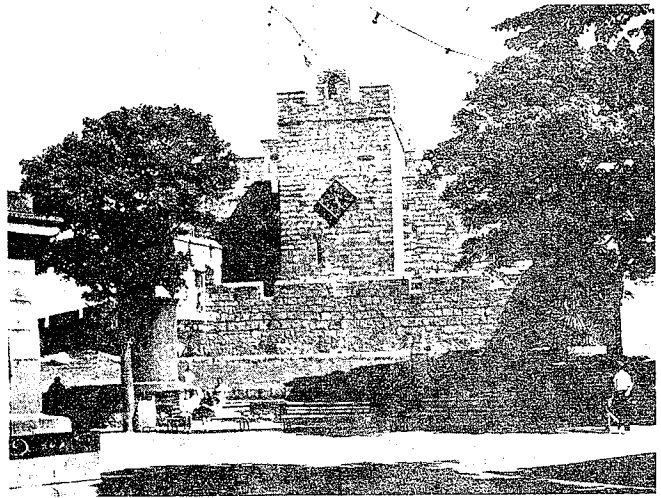
There are 227 sq. miles to explore in the Isle of Man. It's easy to get around and enjoy the immense variety of scene and wonderful colouring. The well-kept by-ways and lanes criss-cross the Island through banks of fuchsia and fern and wander over the gentle contours of the hills, golden with gorse in Spring and the deep purple of the heather in Autumn. The 100 miles of coastline present a wealth of constantly changing scenery. It's an island of a thousand views, and everywhere you go the blue sea is not far away. Fine coastal roads lead to spectacular headlands, charming coves and splendid beaches. The streams cascade through the deep wooded national glens. It's all so enchantingly different.



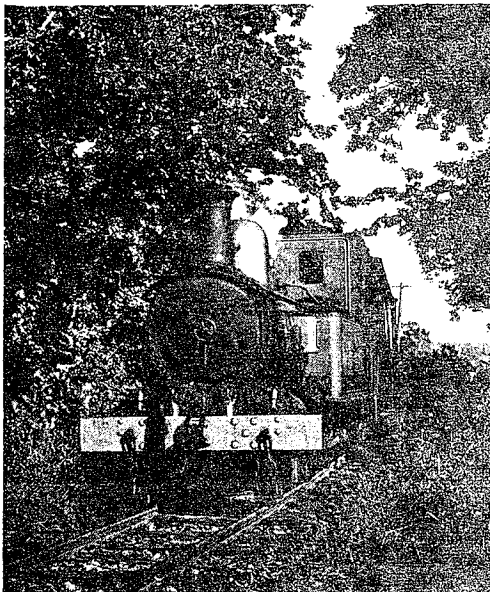
Laxey Wheel



Douglas Horse Tram



Castle Rushen



Victorian Steam Railway

## Fascinating History

With its own laws and customs, this self-governing island is packed with reminders of its Celtic and Viking heritage, and there is a fascinating folk-lore. The Isle of Man has its own parliament, the Tynwald, founded by the Norsemen 1,000 years ago. Its sturdy independence has been preserved down the ages, and today it legislates for itself and controls its own finances. For more than three centuries it was owned and ruled by the Derby family — who instituted the first of the famous horse races here over 300 years ago.

There are magnificent castles of medieval days, and a host of archaeological antiquities. Its Gaelic language is preserved and its ancient arms of the Three Legs is the motif of its National Flag which flies everywhere. It's an island rich in tradition — and friendliness and hospitality.

AN I-YOU CHAT

The problem of the difficulties in the way of the progress of the Georgist philosophy is worth pursuing and not just to be regarded as "last year's topic." Here are some further thoughts on the subject:

Has there ever really been a study of our dilemma? There have been many essays on the fact that our cause has not advanced as it should and proposals as to what should be done. But these proposals are often "pet projects." However meritorious in their own right, they are usually not based on a sufficient analysis of the situation - e.g., what particular method was used, how far it went, how far it did not go, and what conclusions may be drawn. Simply because one method or approach did not work well is no guarantee that another will, without some factual and logical backing.

In short, what we need is an analysis of our own problem in the same spirit in which Henry George tackled the problem of poverty. He did solve it - to the satisfaction of those who have reasoned it out along with him - but he did not solve the problem of getting his solution accepted by the world. Nearly 100 years later we are still thwarted on the same count.

The truths seem so self-evident, it is difficult to understand why they are not immediately accepted and adopted. All men have a right to the use of the earth and to the fruits of their labor; the rent of land provides a fund for public revenue without taxing the products of labor. Should not even so brief a statement cause everyone to say "right" and hurry to put it into effect? Would it not be to everybody's benefit? Yet here we are a century later - and tons of literature and miles of speeches and thousands of heroic efforts later - and still not much further advanced than when we started.

Actually, things may not be as bad as all that. There is a lively - even a rising interest - in land value taxation. But it is pushing against enormous odds and it is a moot question as to whether the current flurry of interest can survive the dead weight of opposition and inertia pitted against it. After all, it has happened before.

If we were better prepared with viable answers as to just what makes a philosophy and reform acceptable - any philosophy or reform, but in particular ours - we would be better prepared to find our way through the fog.

Answers are needed - not just off the top of the head - but after study, observation and analysis.

Robert Clancy  
Editor

## THE CANBERRA SITUATION

By A.R. HUTCHINSON (Glen Iris, Vic., Australia)

As noted in IUN No. 15 ("Canberra in Crisis"), the capital city of Australia has abandoned its system of public renting of land and has in effect converted from leasehold to freehold. This is a serious setback.

Those acquainted with the Canberra leasehold system have not claimed it as a perfect example of the principle of collection of site rentals for public purposes. They have been critical of the 20-year interval to reappraisal and have urged change to annual or not less frequent than triennial reappraisals. Despite this blemish the Canberra system started out with the objective of making the land available to lessees without payment of any price to purchase the sites. They were to be obtained by payment of the land rental annually to the Government instead of to landowners. The fact that refinements were needed to assess the rental more correctly simply called for effort to improve it - not to abolish the payment of land rental. That it was progressively eroded and ultimately emasculated is certainly a matter that justifies shedding tears. A victory for our cause or a defeat anywhere is one for our cause everywhere.

To put the matter into perspective, what has been abolished is the payment of land rentals to the government, but local taxation (rates) on the price of the land remains in force. Existing lessees have been given, in effect, the freehold cash price of the land which they will reap when it is sold. New lessees will have to outlay the full freehold price before they can get a homesite. The prices realised since the change average \$3,300. Canberra is a city of 140,000 people and growing faster than any other in Australia, so we may expect further rises.

An idea of the contributions on homes under the old and new conditions in Canberra may be had by comparisons with my own City of Camberwell where tenure is conventional freehold. Average unimproved land values of residences reappraised in 1970 were respectively: Canberra \$2,868 and Camberwell \$7,327. Payments as land rents or land rates based on these figures are shown below:

	<u>Canberra</u> (old basis)	<u>Canberra</u> (new basis)	<u>Camberwell</u>
Land rent at 5% of unimproved value -	\$143	Nil	\$366
General rates -	34	\$47	92
Water & sewer rates -	20	30	72
Total -	<u>\$197</u>	<u>\$77</u>	<u>\$530</u>

The above should dispose of the suggestion that has been made that Canberra homes were harshly treated under the old basis. They were actually paying much less than shown here before the 20-year reappraisal to which these figures shown relate. The population of the City of Camberwell is 104,000 which is substantially less than that of Canberra.

(Further information on Canberra may be obtained from Progress, 56 Hardware St., Melbourne, Vic., Australia, edited by Mr. Hutchinson.)

## TAX THE RISE IN LAND VALUES!

By HALFDAN HANSEN (Bergen, Norway)

Rising land values belong to the community and should be taxed, not sold or rented by private owners. Such taxation would stop the speculation in rising land values. If this is not done, our work is in vain.

The real unearned income is that which accrues to an individual without his having done anything which contributes to production. The most important of such income is that which issues from the site values of land. The recipient of such an income does nothing to earn it, he merely sits tight while the growth of the community around the land to which he holds title brings him an unmerited gain. This gain is at the expense of all true producers, whether they be laborers, entrepreneurs or investors in production. The taxation of this gain can do nothing to deprive the community of any service since no service was rendered by the recipient!

The culmination of every period of growth has been a boom in land prices which have brought our economic system out of balance. Denmark had for a long time pursued the rise in land values with maps, statistics and special legislation, up to 1960. At that time the selling value of Danish land was 17 milliard (billion) crowns. But by 1969 the value rose to 67 milliard. This opened the way for 50 milliard crowns of new purchasing power not backed by any goods or services. This purchasing power was much higher than could be provided for by legitimate money and so led to the creation of many milliards of paper money not representing goods or services. This is the real cause of inflation, which experts cannot see. Our task is to help them see this and so open the way to land value taxation.

If the 50 milliard crowns of land value increment had been taken in taxation, three-fourths of Danish land value would have been secured for the community and the effects would have proven the rightness of this measure.

Therefore I see the stopping of speculation in rising land values as the most important task ahead, the securing of these enormous values for the community, so that they will not stay in the possession of private owners to be sold or rented. The already established land value has been mortgaged and the latest buyers are in debt for the selling value. This basic land value can therefore only more slowly be transferred to the community.

This proposal to secure the ground rent for the community was sent in 1929 to our Fourth International Conference in Edinburgh. I also made this proposal in IUN No.15 (with correction in No.16). I have also sent this proposal to the recent conference held in London by the Free Market Research Institute.

It seems to me that my proposal is important to the free market. By stopping the speculation in rising land values as purchasing power, trade will be limited to the exchange of goods and services both domestically and internationally. I would like to see this idea more fully discussed.

(Mr. Hansen reached his 90th birthday on May 1, 1972.)

## THREE WAYS

By DAVID CHESTER (Tel-Aviv, Israel)

The suggestion of H.T.A.McGahan ("New Approaches Needed," IUN No.17) deserves some response on the subject of how we might bring the single tax system into practical use somewhere in the world. I can think of only three ways in which this ideal might be attempted: 1, political; 2, educational; 3, practical example.

By political is meant the establishment of a party or faction of one that has the single policy of land value taxation. Since our forces are spread over a large area it will be necessary to choose the place where we are most densely populated and with reinforcement by additional Georgists moving in to make sufficient political noise as to get representation in the government of the country or state concerned.

In the educational sphere we are already stronger than in the other two. We should work for the following:

- a) Increase our present courses in economic and political science.
- b) Encourage the use of scientific methods in economics and in particular toward developing mathematical models for simulating the relationship between the various factors that govern national and international economic developments.
- c) Subscribe to scholarship funds for the purpose of research into every theoretical economic tool.
- d) Provide library facilities for the above kinds of study.
- e) Collect and publish statistical data showing current trends in personal, national and international economic matters.

A practical example of our philosophy is the most difficult to achieve, nevertheless it is essential to give a lead to others by example. I suggest that steps be taken to establish a colony or community whose economic government is based on the principles of the single tax system. It would have to consist either of "a state within a state" or be established on some "South Sea island." In case this idea is immediately opposed out of hand, let me point out:

- a) It is not new; the USA itself was started by such kinds of idealists.
- b) Today here in Israel there are similar (though socialist) communities not only of the well-known Kibbutz style, but many other kinds of rural and even town-based settlements.
- c) We could appeal for financial help to the existing schools of economics which might be interested in studying any specially controlled society that would be willing to act as laboratory for experiment. Naturally the experiments must have the agreement of the participants. Basically, what we need is a loan of some of each of the three factors of production, land, labor and capital.

I am very much aware of the rather extreme nature of at least two of these proposals and, difficult as it is to justify them, I am convinced that anything less will be ineffective. In this Computer Age people at last have the chance to become intellectually aware of themselves as never before and it is up to us to put our own awareness of economics to the test.

## LAND VALUE MAPS

Christopher Howes, a valuer in Norwich, England wrote to Robert Clancy (at the suggestion of V.H. Blundell) for information on land value maps in the USA, explaining: "In England a number of planning authorities are most anxious that land value maps are prepared as they feel that this will be of great assistance to them in the plan decision-making processes. If sufficient pressure is brought to bear by the planners for the development of such maps it will be of great assistance to those advocating the introduction of site value rating in England. I feel that the arguments for site value rating would be strengthened if evidence were made available that land value maps, which have been produced in other countries, are of use to town planners in those countries."

Mr. Clancy replied giving some information on land value maps in the USA and Jamaica, and Walter Rybeck of the Urban Institute wrote on work being undertaken in Virginia. Mr. Howes wrote again to Mr. Clancy expressing thanks for the information and adding:

"In England there has recently been discussion regarding the future of Local Government finance. The Government produced a policy statement known as a 'Green Paper.' In this Green Paper the Government deals very insubstantially with the question of site value rating.

"It is of interest that since the publication of this Green Paper there has been an unprecedented increase in house and land prices in England and a number of people are now publicly advocating the introduction of some form of site value rating.

"My own personal feeling is that the present rating system in England is so firmly entrenched that it may well be a number of years before detailed and critical consideration is given to the introduction of site value rating.

"If value maps can be shown to be of constructive assistance to town planners in their decision-making processes then I feel this may well go a long way to furthering the advance of some system of sophisticated land value maps in this country."

## SHOPPING CENTRES

By MILTON NORWALK (New York, NY, USA)

During a trip to the West I visited San Jose, California, a city that is spread all over the map. It has wide open spaces between buildings and you would think it was a county instead of a city.

Our hotel was located in the center of town, but on some of the main streets you will find store after store - beautiful, elaborate department store fronts with large walk-in areas - abandoned. Wire fences in front protect the empty stores from vandals.

What happened to cause this ghost town? The answer is, shopping centers, new mazes of stores built outside of town, practically eviscerating the commercial heart of the inner city. There has been a huge lay-off of labor in the aerospace and war-related industries, but this is not the whole

story. When we were in Phoenix, Arizona a few years ago we saw the same phenomenon of store abandonment. One could compare the economic life of a community to a huge air-filled balloon - press one part hard and another part bulges. In the same way, when rents in the center of a city increase it causes pressure on the business community which then moves to another area where the pressure is not so great - in this case the suburbs.

The businesses which moved out might have stayed and increased their efficiency in order to pay the higher rents by displaying cheaper lines, or merchandise more fit to the needs of a changing population, but it was easier to just move. Result, a ghost town.

IS LVT SUFFICIENT? By J.J.POT (Lunteren, Netherlands)

Say an enterprise makes use of a parcel for which it pays a rent of \$100,000. Say that enterprise makes a profit of one million dollars. Half of it has to be paid as a profit tax. The remaining half-million is shared between savings and dividends. If we abolish all taxes, we can add that tax of half a million to the rent of the plot of land without any alteration in savings or dividends. If we abolish the turn-over tax, added-value tax and all the other taxes, we can add that amount to the rent.

Say the payroll of that enterprise amounts to 50 million dollars. Part of the income tax is the wage tax: 20 per cent, that is 10 million dollars, collected by the business administration acting as tax collector. The amount received in the hands of the workers remains exactly the same if we abolish all taxes. The wage-tax would be added to the rent.

Therefore it is obvious that a tax on land values would cover ALL taxes!

SOME BAHAI TRUTHS By MARTIN KOB (Santa Monica, Calif., USA)

There are some significant statements in the literature of the Baha'i movement ( a world religion founded by Baha-U-Llah and Abdul Baha) that would be of interest to readers of the IU NEWSLETTER. Here are some quotes:

"According to the Baha'i views land rightly belongs not to individual men or individual nations but to humanity as a whole, nay rather it belongs to God and all mankind are but tenants."

"All economic barriers and restrictions will be completely and permanently abolished."

"Without legislation rights and demands fail and the welfare of the commonwealth cannot be realized."

Is this not what Henry George tells us and spells out how it can be done with complete justice and equity to all concerned?

\* \* \*

"Poverty is the open-mouthed relentless hell which yawns beneath civilized society." - Henry George, Progress and Poverty.



## A CONTRIBUTION FROM WESTERN AUSTRALIA

A 44-page booklet has been published by the Henry George League of Western Australia with the title "Land Rent Revenue in Lieu of Taxes." A subtitle further explains that it is "an exposure of the ever increasing burden of taxation, the power to destroy - a practicable alternative which would reduce government spending by half, restore incentive, destroy monopoly and benefit all who perform useful work."

This is a "do-it-yourself" booklet. There are 33 headings and the reader is invited to turn to the ones that interest him the most and proceed at will to the others - an interesting variation from having to read from beginning to end (although that too can be done with profit by the reader of this booklet). Headings include such diverse subjects as socialism, inflation, mass media, banking, the aboriginal race, modern youth, the farmer, the small businessman, and many more. Thus a great deal more than taxation is covered. This is a very provocative way of presenting the Georgist philosophy and could prove a fruitful idea.

The basic principles of the booklet are stated in a preface by author Graham Hart as follows:

- "1. Where people congregate in cities and communities the need of government service arises.
2. Public Works create land value at least equal to the cost of the works - often much greater. A classic example is the building of the Narrows Bridge over Swan River to South Perth which cost £1,500,000. Land values rose by £14,000,000.
3. Collection of this value annually as land rent will provide the people with their natural revenue sufficient for all the necessary functions of Government.
4. Ever-increasing taxation - 'the power to destroy' - must be abolished if civilisation is to survive."

Included in the booklet is a useful draft of a land value tax law for Australia, drawn up by W.H.Pitt of Victoria. An earlier version of Mr. Pitt's draft was used in the manual The Taxation of Land Values issued by COLT (Committee on Land Taxation) and was cited in an earlier issue of IUN. The current draft is much improved.

Mrs. Ilse Stillwell (formerly of Hamburg, Germany; New York, USA; Teheran, Iran; Melbourne, Australia, and now living in Perth) writes: "Graham Hart's book is not only being sold in Perth's biggest book shop but was displayed in their window, along with other books, under the theme 'Taxes and You in '72.' It is sold as well in the University Book Shop and we have advertised it in the papers."

Although some of the examples are drawn from Australia, the booklet is of enough general interest to be useful anywhere in introducing people to the Georgist philosophy. No price is mentioned, but it is noted that copies may be obtained from the Henry George League of Western Australia, 243 Newcastle St., Perth, Western Australia.

## THE CAUSE OF INFLATION

By S. SEVENSTER (Bennekom, Netherlands)

Mr. V.H. Blundell in his answer to my opinion (IUN No. 17) does not seem to understand my statement that the selling value of land is equal to 20 to 50 times the rent. Of course 20 times is quite common, reflecting the annual revenue from land at 5 per cent of the price. At present - in England too and especially because of inflation - people buy land which gives an even smaller revenue, as low as 2 per cent, in which case the selling price of land is 50 times the rent.

As land is sold, Mr. Blundell says there is a mere transfer of wealth. Here I cannot agree. Neither money nor land is wealth. This is also the case if it is said: If land values are unreal so are all values arising from obligation unreal. The whole case as a matter of fact is: what does this obligation stand for? If it is for a factory standing on land with a long lease, the obligation stands for real capital with a real value. If it is for the value of land it is unreal. Land represents neither wealth nor capital. It is an important point even though the difference is difficult to understand inasmuch as the pieces of paper in the two transactions look the same.

Mr. Blundell speaks about speculative land values; by value I mean the price in the market. If there is a tax on land values, the real capitalized value is more. The point is: money paid for an unreal right, viz., for the private appropriation of the rent of land makes the money unreal. It is not backed up by goods and services. As land is a gift of nature, money paid for it must be seen as false, because the price paid for it is associated with, or is a result of, a fault in our society.

Our Dutch economists - and perhaps others - have discovered this, too. So our State bank is not allowed to give money for land purchase. But through other banks land sales still take place.

So inflation goes on, still more money is created which is not backed by goods or services. And as money is money, whether "real" or "false", the total amount of money is too large as compared with the available products, so prices go up.

In the past, so long as the private collection of rent has been allowed, governments have always printed money for land values. That of course went on slowly and in some times too slowly. Then we had unemployment, as the choice is either inflation or unemployment. In the end this promotes both of them together and so we now find ourselves in a "stagflation." Two bad results on top of each other. The cause is the same - the private collection of the rent of land. In economics all things are interrelated.

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John Stuart Mill: "One person with a belief is a social power equal to ninety-nine who have only interests."

Comment: Provided he gets off his butt.

From Freefolk (Vancouver, B.C., Canada)

## MONEY AND CREDIT

By WILLIAM J. HARRINGTON (Appleton, Wisc., USA)

There is nothing that the individual would want more to be real than money; there is nothing that exceeds his ambition in acquisition than money - and in large quantities. Economists of note tell us that money is the best commodity because it can be "exchanged" for anything, yet it is unreal. It cannot be exchanged if only for this reason. Thus it can be seen as imperative that money and what passes for money be understood beyond question.

Inasmuch as some economists still equate credit with money it would seem to be timely to identify each as to its epistemological category and their relation to each other.

The main reason for the faulty understanding or confusion of money and credit is that they seem to serve the same purpose, the acquisition of the wealth of others. In reference to credit this is true only when the credit is good. This is the main point that distinguishes money from credit. While both are abstract and not economic but philosophic factors, money is always moral and good while credit is not necessarily either moral or good. A major difference is that money is never consumed, while credit is by nature consumable and is commonly consumed whether good or bad.

A glance at current political-monetary and economic conditions will readily demonstrate an abiding state of confusion with an almost complete absence of criticism of the faulty choice of terms in talks and writings on these subjects.

The true nature of money is abstract, or unreal, and can be simply defined as: "The abstract moral principle of the integrity of the individual." This requires qualification since it applies only to that integrity relating to a promise-to-pay. This also demonstrates the lack of a fundamental nature to money since it applies to only one of numerous integrities, a promise-to-pay.

The definitions of credit are too numerous to permit an all-encompassing definition. Each type of credit must be considered in its own ambient, e.g., in a financial situation involving two individuals - a description rather than a definition of the relationship that leads to an extension of credit is needed. In any case, the one issuing the credit certificate should possess the integrity, usually in the form of tangible collateral, to redeem his promise. Again, the lack of a fundamental base for money is shown by the absence of a constant means of preventing the issuance of false credit certificates in the absence of integrity. In order for a credit certificate to be good and sound there must be integrity, commonly backed by tangible collateral; however, false credit certificates can be issued endlessly until their true nature is discovered in the resulting chaos and disaster.

It is well to note that money cannot be used in the absence of a monetary system which should consist of a standard, a standard unit with a currency issued as presumptive evidence of money.

## BEER, TAXES AND HISTORY

By H.T.A. McGAHAN (Matamata, New Zealand)

Old Hindenburg said that only that which is simple can succeed in war. I think it is true in politics. It seems to me that one step toward getting a hearing is to point out the unfairness of taxing beer. If we can make a person see that a tax on beer means that the beer-drinker pays more than his fair share and that on the other hand, the person who does not pay his fair share gets something for nothing. In fact there is no such thing as something for nothing, so he must get it at the expense of the drinker.

If we can convince people that there is a moral wrong in taxing beer, we've got our foot in the door. The next step would be to tackle commodity taxation. For this reason I think we should pay attention to the English Revolution of 1640-88. Our modern system of taxation dates from that time. After the Long Parliament abolished the obnoxious feudal dues they had to find the lost revenue from some other source. They imposed an excise on beer and other liquors, as a temporary measure. At the Restoration this was ratified. That fifty years in English history is worth whole libraries of what is passed off as political economy. Most historians who recognise just what happened regard the excise imposed in 1643 as the beginning of our modern system of taxation.

Frightful results have flown from it. The Restoration Parliament had before it two proposals: one, the lands benefitting from the abolition of the feudal incidents were to pay a tax; the other, a continuation of the excise. The latter was carried by only two voices. The excise was carried by the King's supporters who knew that a tax on commodities would, in a rising economy, place an ever-increasing revenue in the hands of the King and eventually make him independent of Parliament. That nearly happened. Had Charles II lived as long as Queen Victoria he would have succeeded where his father failed. True, Parliament eventually stopped that by voting taxes annually. Power thus passed from the King to the House of Commons. During the past 300 years power has passed from the House of Commons to the department heads of the civil service. In too many instances, Parliament simply became an instrument for registering what had already been decided by caucus.

What is needed is a renewal of the struggle for liberty where the English Revolution of 300 years ago left it. The only real advance we have made since then is in the unimproved value rating system. What is needed now is a transfer of power from the department heads to the people. We can do this through taxation reform, that is, gradually transferring all taxation to unimproved values; and secondly, and almost every bit as important, reform of the structure of government.

If we were to get a free hand tomorrow with which to introduce the single tax system we should have to do so through a Finance Bill, in the first part of which we would have to say from what source we proposed to get the revenue necessary to run the State, and in the second part, the schedules, what existing taxes we proposed to repeal. We should always be working on drafts of that Finance Bill.

Let us make our cause the restoration of liberty. "Make no small plans," said Daniel Burnham, "they have no power to stir men's blood."